

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 PA-01 /064 W
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R 251404Z AUG 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 6518
INFO AMCONSUL BORDEAUX
AMCONSUL LYON
AMCONSUL MARSEILLE
AMCONSUL NICE
AMCONSUL STRASBOURG
ALL EC CAPITALS

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ALSO FOR USEC

E.O. 11652: N/A
TAGS: EINV, EFIN, EIND, ELAS, FR
SUBJECT: FRENCH GOVERNMENT CONSIDERING NEW MEASURES TO
ENCOURAGE FOREIGN INVESTMENT

REF: (A) PARIS 34698 (1977); (B) PARIS 23716; (C)
PARIS 19614

1. SUMMARY - THE FRENCH GOVERNMENT MAY BE ON THE VERGE
OF TAKING STEPS TO MAKE PRIVATE INVESTMENT IN FRANCE
MORE ATTRACTIVE. THE NEW INCENTIVES AND SIMPLIFIED
PROCEDURES, WHICH REPORTEDLY WILL CONSTITUTE THE NEW
PROGRAM, WOULD APPLY TO BOTH FOREIGN AND DOMESTIC
INVESTMENT (BECAUSE OF THE RULES OF OECD, EEC, AND
OTHER INTERNATIONAL ENGAGEMENTS). HOWEVER, THE
GOVERNMENT APPEARS TO HAVE FOREIGN INVESTORS
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PARTICULARLY IN MIND. THERE WILL STILL BE SOME
"STRATEGIC" SECTORS E.G. COMPUTER TECHNOLOGY, IN WHICH
FOREIGN INVESTMENT WILL NOT BE WELCOME; A SLIGHT
BIAS WILL CONTINUE TO EXIST TOWARD INVESTMENT COMING
FROM INVESTORS IN EEC COUNTRIES; AND "TAKEOVERS" WILL
NOT BENEFIT FROM THE NEW PROGRAM. NO GOVERNMENT
OFFICIAL CONTACTED WOULD PREDICT WHEN THE NEW

PROGRAM WILL BE ANNOUNCED, BUT THE GENERAL CONSENSUS IS THAT A CHANGE WILL BE MADE SOMETIME THIS FALL.

2. RECENT PRESS ARTICLES INDICATE THAT NEW MEASURES ARE BEING CONSIDERED TO LURE PRIVATE INVESTMENT TO THE REGIONS OF FRANCE WHERE TROUBLED INDUSTRIES, SUCH AS IRON AND STEEL, TEXTILES, FURNITURE-MAKING, ETC., ARE LOCATED. LES ECHOS OF AUGUST 17 ANNOUNCED THAT THIS EXCEPTIONAL EFFORT DESIGNED TO CREATE PRODUCTIVE CAPACITY WILL NOT DISCRIMINATE AGAINST DOMESTIC INVESTORS BUT WILL BE AIMED PRINCIPALLY AT FOREIGN INVESTORS. LIBERALIZED AND INCREASED INCENTIVES WILL BE DESIGNED TO COMPETE WITH THOSE OFFERED BY OTHER COUNTRIES. ACCORDING TO LES ECHOS, FRANCE SHARES WITH ITALY THE RECORD FOR "FORBIDDING" PRE-INVESTMENT PAPERWORK, BUT THE NEW PROGRAM WILL CHANGE THAT BY STREAMLINING ADMINISTRATIVE PROCEDURES. AN EXCEPTIONAL EFFORT WILL BE MADE ABROAD TO PUBLICIZE AND EXPLAIN THE NEW PROGRAM'

3. AN OFFICIAL OF THE FOREIGN INVESTMENTS SECTION OF DATAR (DELEGATION A L'AMENAGEMENT DU TERRITOIRE) -- THE FRENCH GOVERNMENTAL AGENCY CHARGED WITH REGIONAL DEVELOPMENT -- CONFIRMED TO AN EMBASSY OFFICER THAT THE NEW MEASURES ARE BEING STUDIED BUT SAID NOTHING WILL BE ANNOUNCED BEFORE SEPTEMBER, AND SHE LIMITED OFFICIAL USE

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WAS UNWILLING TO BE SPECIFIC ON POSSIBLE CHANGES. SHE CONFIRMED THAT NEW INCENTIVES MUST BE AVAILABLE TO BOTH DOMESTIC AND FOREIGN INVESTORS, THAT FINANCIAL INDUCEMENTS WILL BE AUGMENTED, TERMS MADE MORE LIBERAL, AND PROCEDURES MORE OPEN THAN IN THE PAST. THE RAISON D'ETRE BEHIND THE NEW PUSH -- WHICH MAY REQUIRE CHANGES IN DECREES -- IS TO COUNTER UNEMPLOYMENT IN THE DEPRESSED REGIONS OF FRANCE: THE VOSGES -- TEXTILES; ATLANTIC AND MEDITERRANEAN SHIPBUILDING AREAS; ALSACE-LORRAINE -- STEELWORKS; AND THE EASTERN REGION OF FRANCE WHERE THE DECLINE IN AGRICULTURE HAS GIVEN RISE TO A RAPID EXODUS OF POPULATION TOWARD THE LARGER FRENCH CITIES. DESCRIBING THESE PROBLEMS AS "URGENT AND GRAVE" SHE SAID THAT A WARM WELCOME WOULD AWAIT FOREIGN INVESTORS IN THESE GEOGRAPHICAL REGIONS.

4. AN OFFICIAL IN CHARGE OF FOREIGN INVESTMENTS IN FRANCE, IN THE MINISTRY OF ECONOMY AND FINANCE, TOLD AN EMBASSY OFFICER THAT CHANGES ARE IN THE WORKS, BUT ADDED NO ONE KNOWS WHEN THEY WILL BE OPERATIONAL. FUNDS PRESENTLY DIRECTED TOWARD THE DEVELOPMENT OF HEAVY INDUSTRY WILL BE REDUCED, AND THE MONEY FREED UP

WILL BE USED FOR DIVERSIFICATION, INDUCING INVESTMENT IN
SMALLER FIRMS AND LIGHTER INDUSTRY. ONE MEASURE BEING

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CONSIDERED IS A REDUCTION IN THE PERCENTAGE OF CAPITAL
REQUIRED FROM SOURCES OUTSIDE OF FRANCE; AT PRESENT,
FOREIGN FIRMS IN NEW VENTURES ARE EXPECTED TO PROVIDE
FIFTY PERCENT OF THE CAPITAL. "THE POLICY IS TO GIVE
FOREIGN INVESTMENT A PUSH", THE OFFICIAL STATED,
THROUGH CHANGES IN REGULATIONS, BUT THE NEW INCENTIVES
WILL NOT APPLY TO TAKEOVERS. HE ALSO SAID THAT THE
GOVERNMENT IS USING REGIONAL AIDS TO DEPRESSED AREAS
BECAUSE EEC REGULATIONS MAKE IT EASIER THAN GIVING
SUBSIDIES. REGIONAL AID IS LIKELY TO BECOME
INCREASINGLY IMPORTANT IN FRANCE.

5. COMMENT - THE OFFICIAL FRENCH ATTITUDE TOWARD
FOREIGN INVESTMENT HAS, FOR SOME TIME, BEEN ONE OF
SELECTIVE ENCOURAGEMENT TOWARD NEW DIRECT INVESTMENTS
WHICH FINANCE NEW CAPACITY, CREATE NEW JOBS OR EXPORTS,
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AND/OR BRING ADVANCED TECHNOLOGY (SEE REF. (A).
(INVESTORS FROM THE EEC COUNTRIES RECEIVE THE WARMEST
WELCOME.) BUT THERE ARE STILL SOME "STRATEGIC" SECTORS
IN WHICH FOREIGN INVESTMENT IS NOT WELCOME, THE ADP
APPLICATION (SEE REF. (B) BEING A CASE IN POINT, AS THE
GOVERNMENT WISHES TO AVOID ANY LARGER "FOREIGN" (US)
SHARE IN THE DATA PROCESSING FIELD.

6. THE GOVERNMENT APPEARS TO BELIEVE THE PRESENT
MOMENT AN OPPORTUNE ONE BECAUSE OF THE LIFTING OF
PRICE CONTROLS, POSITIVE ADVANCEMENTS ON THE FRENCH
STOCK MARKET, AND THE POLITICAL STABILITY FOLLOWING THE
FRENCH ELECTIONS.
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